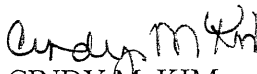


Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: January 31-February 1, 2007

Reference No.: 4.5
Action Item

From: 
CINDY McKIM
Chief Financial Officer

Prepared by: Ross A. Chittenden
Division Chief
Transportation Programming

Subject: **THE TRAFFIC CONGESTION RELIEF PROGRAM ALLOCATION POLICY AND TRIBAL GAMING**

ISSUE:

Proposition 42 was fully funded for Traffic Congestion Relief Program (TCRP) projects in Fiscal Year (FY) 2006-07 and is proposed for full funding in the Governor's Budget Proposal for FY 2007-08. The FY 2006-07 Budget also assumed that \$290 million resulting from the sale of Tribal Gaming bonds would become available for allocation to TCRP projects in FY 2006-07. However, significant legal challenges still exist, making it unlikely that revenue derived from Tribal Gaming bonds will become available through at least FY 2007-08. During this period, revenue resulting from Tribal Gaming Compacts will be transferred to the State Highway Account (SHA) to repay General Fund debt to that account. Additionally, the passage of Proposition 1A included provisions for repaying the TCRP over a period of up to 10 years as a result of the partial suspension of Proposition 42 in FY 2003-04 and FY 2004-05.

The TCRP allocation capacity will become insufficient to allow full allocations for all projects seeking TCRP funding in FY 2007-08, assuming that allocation requests will be made on the schedule documented in the October 2006 TCRP Bi-Annual Progress Report. As a result, the California Transportation Commission (Commission) requested that the California Department of Transportation (Department) propose an allocation plan for current and future TCRP revenue.

RECOMMENDATION:

The Department recommends the Commission continue making allocations against the remaining TCRP funds budgeted in FY 2006-07, excluding Tribal Gaming bond funds, and against the \$684 million in TCRP funds included in the Governor's Budget Proposal for FY 2007-08 on a first-come basis. The Department continues to recommend that allocations be limited to the amount of funds proposed for appropriation through FY 2007-08, in lieu of allocating on a cash-management basis.

The Department will continue to monitor the allocation capacity and will begin discussions with TCRP project applicant agencies that will be seeking allocations in future years to develop an allocation plan in accordance with future TCRP funding. The results of these discussions and resulting recommendations will be reported in future TCRP Bi-Annual reports, beginning with the April 2007 report.

BACKGROUND:

The FY 2007-08 Governor's Budget proposal includes \$684 million for TCRP projects. The proposed funding consists of the final Proposition 42 transfer of \$602 million and \$82 million repayment for prior suspensions of Proposition 42 as authorized by Proposition 1A. This additional funding proposed in the FY 2007-08 Governor's Budget could support an increase in current year allocations and provide an opportunity to advance some TCRP projects by one construction season.

Based on the October 2006 TCRP Progress Report, approximately \$857 million will be requested for project allocations for the remainder of the current fiscal year. The following summarizes the documented TCRP allocation needs remaining for FY 2006-07:

- Reimburse remaining approved AB 1335 Letters of No Prejudice (LONPs) for projects scheduled for completion in FY 2006-07 - **\$340 million.**
- Projects ready to go to construction in the remainder of FY 2006-07 - **\$159 million.**
- Pre-construction phases ready in the remainder FY 2006-07 - **\$358 million.**

As of December 2006, \$449 million remains available for allocation to TCRP projects, with revenues included in the FY 2006-07 Budget (excluding Tribal Gaming bond funds). Combining this amount with the proposed \$684 million in the FY 2007-08 Governor's Budget provides a current allocation capacity of \$1.133 billion.

A listing of TCRP projects with remaining allocation needs is attached. If all projected allocation requests for FY 2006-07 are approved, only \$276 million will remain for allocation against the projected needs for FY 2007-08. The current projected allocation need for FY 2007-08 is \$859 million (including \$181 million for completed Letters of No Prejudice). Therefore, there will be insufficient TCRP funding for all allocation needs.

TCRP REVENUE SOURCES:**Proposition 42**

The FY 2007-08 Governor's Budget proposal includes the final transfer of \$602 million from Proposition 42 revenues for TCRP projects. Beginning in FY 2008-09, all Proposition 42 revenues will be split between the State Transportation Improvement Program (STIP), the Public Transportation Account (PTA), and to cities and counties for local road rehabilitation projects.

Proposition 1A

Proposition 1A requires payments to be made from the General Fund for the portion of revenues that were not transferred due to Proposition 42 suspensions in FY 2003-04 and FY 2004-05. Any amount of revenues that are not repaid from the General Fund by July 1, 2007, shall be transferred from the General Fund no later than June 30, 2016. The amount of the transfer payments to be made in each fiscal year shall not be less than one-tenth of the total amount remaining to be transferred. The proposed FY 2007-08 Governor's Budget includes \$82 million repayment from the General Fund, and a similar amount is projected for subsequent years.

It should be noted that Proposition 1A also authorizes the Legislature by statute to allow TCRP lead agencies to bond against this revenue stream.

Tribal Gaming

In 2004, the Governor negotiated compacts with five Indian tribes that generate approximately \$100 million per year for the General Fund. AB 687 (Chapter 91, Statutes of 2004) authorized the use of these revenues to secure bonds to repay General Fund debt to various transportation accounts.

Legal challenges have so far prevented the sale of bonds. Therefore, revenues generated by the Tribal Gaming compacts, approximately \$100 million per year, are being transferred to repay outstanding General Fund debt to the SHA, PTA and Traffic Congestion Relief Fund (TCRF). The FY 2007-08 Governor's Budget proposal includes the transfer of \$100 million for both FY 2006-07 and FY 2007-08 to the SHA. Assuming the bonds will not be sold and this transfer continues, the TCRF will receive revenues from this source beginning in FY 2009-10, after the SHA loan is fully repaid.

The following table illustrates the current estimate of how revenues from the Gaming compacts are to be distributed to the TCRF over the next several fiscal years, beginning in FY 2009-10:

TABLE 1

Fiscal Year	2009-10	2010-11	2011-12	2012-13	Beyond	Total
Traffic Congestion Relief Fund (TCRF)	\$76	\$100	\$100	\$14	\$192	\$482

Please note, the schedule above could be affected by actual SHA interest in FY 2009-10 (which could be higher) and may push out repayments to the TCRF and PTA to subsequent fiscal years. There are no guarantees that revenues will be made available for future fiscal years on the schedule shown, thus the Department must assume TCRP funding from this source remains uncertain at this time.

PROJECTED TCRP ALLOCATION NEEDS:

Twice each year, the Department, in cooperation with TCRP lead agencies, develops the TCRP Bi-Annual progress Report. Lead agencies are requested to provide a status of the progress for each project, including an estimated date for allocation of remaining TCRP funds for each project. A list of remaining allocation amounts by project component and fiscal year is shown on the attached document.

The following table contains an estimate of future year revenue streams compared with the projected remaining allocation needs of TCRP projects. The allocation needs are summarized by allocation priorities used in previous allocation plans for the TCRP, specifically allocations for completed Letters of No Prejudice (LONP), allocations for construction, and allocations for pre-construction phases of work (environmental clearance, design and right-of-way phases).

TABLE 2

(\$ x 1 million)	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Beyond
Revenue:					
Proposition 42	\$678	\$602	\$0	\$0	\$0
TDIF / Prop 1A	\$321	\$82	\$82	\$82	\$501
Tribal Gaming	\$0	\$0	\$0	\$76	\$406
Total Revenue	\$999	\$684	\$82	\$158	\$907
Allocations:					
Allocations Made in FY 2006-07	\$555	\$0	\$0	\$0	\$0
LONP Reimbursement	\$340	\$181	\$0	\$26	\$0
Future Construction Allocations	\$159	\$399	\$74	\$125	\$44
Future Pre-Construction Allocations	\$358	\$279	\$204	\$53	\$33
Total Projected Allocation Need	\$1,412	\$859	\$278	\$204	\$77
Remaining Annual Allocation Capacity	(\$413)	(\$588)	(\$784)	(\$830)	\$0

As the table above illustrates, current year allocations are insufficient to meet the projected allocation needs for remainder of FY 2006-07 by \$413 million. However, the \$602 million of FY 2007-08 Proposition 42 funding for the TCRP could be used to increase allocations for projects in the current year. The Commission may, with relatively little risk, increase allocation capacity to meet this \$413 million demand.

Assuming TCRP applicant agencies request allocations in accordance with information submitted and published in the October 2006 TCRP Bi-Annual report, the TCRP allocation capacity will become insufficient sometime in FY 2007-08. By the end of FY 2007-08, it is projected that there will be \$588 million of pending allocation requests.

The Department will continue to monitor the allocation capacity and begin discussions with TCRP project applicant agencies to develop an allocation plan in accordance with available future TCRP funding. Options include a resolution of the legal issues regarding Tribal Gaming revenues, increased use of LONPs, and lead agencies bonding against Proposition 1A revenues. The results of these discussions and resulting recommendations will be reported in future TCRP Bi-Annual reports, beginning with the April 2007 report.

Traffic Congestion Relief Program
Future Allocation Needs by Fiscal Year and Component
(\$ x 1,000)

Reference No.: 4.5
Jan 31-Feb 1, 2007
Attachment
Page 1

District	County	TCRP #	Title	Type	Existing Allocations	Project Totals by Fiscal Year						TCRP Totals by Component			
						2006-07	2007-08	2008-09	2009-10	2010-11	Beyond	R/W	CON	PA&ED	PS&E
4	ALA	1.1	BART to San Jose; Fremont to Warm Springs Extension	Mass Transit	\$ 65,115		\$ 46,318					\$ 129,098	\$ 46,318		\$ 288,457
4	SCL	1.2	Bart to San Jose	Mass Transit	\$ 45,000	\$ 213,516	\$ 11,000	\$ 193,039				\$ 35,000			
4	ALA	2	Alternate Project: Acquire rail line for BART to San Jose	Mass Transit	\$ -		\$ 35,000					\$ 100	\$ 57,100		\$ 1,400
4	ALA	4	Sunol Grade HOV Corridor- Northbound	Capital Outlay	\$ 1,400		\$ 58,600					\$ 27,730	\$ 1,881		
4	SCL	7.2	CalTrain to Gilroy	Mass Transit	\$ -	\$ 27,730									
4	ALA	11	SF Bay Southern Xing. feasibility & financial studies	Mass Transit	\$ 3,119		\$ 1,881							\$ 5,000	
4	CC	12.1	Route 4 Study	Mass Transit	\$ 2,000	\$ 5,000						\$ 350	\$ 350		
4	CC	12.2	Hercules Train Station Project	Rail	\$ 100		\$ 700					\$ 1,000	\$ 3,100		\$ 600
4	ALA	12.3	I-580 Livermore Corridor studies and improvements	Plan	\$ 2,300	\$ -	\$ 1,600	\$ 3,100				\$ 14,000	\$ 14,000		
4	CC	16.2	SR-4 East Widening from Liveridge to Somersville	Capital Outlay	\$ -		\$ 14,000					\$ 13,800	\$ 13,800		\$ 200
4	MFN	18	Route 101 Novato Narrows Freeway Upgrade	Capital Outlay	\$ 7,200	\$ 13,800			\$ 200	\$ 1,650		\$ 1,650	\$ 1,650		\$ 6,000
4	SF	19	Bay Area Water Transit System	Mass Transit	\$ 150										
4	SF	22	Doyle Drive Replacement	Capital Outlay	\$ 3,000	\$ 6,000						\$ 11,000	\$ 11,000		
4	SM	23	Poplar, 25th, Linden Grade Separations	Mass Transit	\$ 1,000		\$ 1,000					\$ 1,000	\$ 1,000		
4	ALA	26	Livermore Valley Siding	Mass Transit	\$ -		\$ 4,320		\$ 4,320			\$ 4,320	\$ 4,320		\$ 27,800
4	CC	28	BART Richmond Station Additional Parking	Mass Transit	\$ 680	\$ 27,800						\$ 18,000	\$ 18,000		
4	MRN	30	Implementation of commuter rail passenger service	Mass Transit	\$ 9,200		\$ 18,000					\$ 2,774	\$ 2,774		
4	ALA	31	I-580 eastbound HOV Lane Project	Capital Outlay	\$ 7,000							\$ 2,365	\$ 2,365		\$ 300
1	HUM	32.4	NCRA; upgrade rail line to class II or III standards.	Mass Transit	\$ 2,226	\$ 2,774						\$ 1,800	\$ 1,800		
1	HUM	32.5	NCRA; environmental remediation projects.	Mass Transit	\$ 1,435	\$ 2,365		\$ 300				\$ 23,138	\$ 23,138		\$ 1,036
1	HUM	32.7	NCRA; local match funds	Mass Transit	\$ -		\$ 1,800					\$ 12,000	\$ 58,000	\$ 18,000	\$ 10,000
1	HUM	32.9	NCRA; long term stabilization.	Mass Transit	\$ 6,826	\$ 1,036	\$ 23,138		\$ 70,000			\$ 30,000	\$ 15,000		\$ 30,000
7	LA	38.2	North-South Bus Transit Project	Mass Transit	\$ 2,000	\$ 18,000	\$ 10,000		\$ 45,000			\$ 61,851	\$ 61,851		
7	LA	39	Route 405; add northbound HOV over Sepulveda Pass	Capital Outlay	\$ 15,000		\$ 30,000					\$ 6,109	\$ 6,109		
7	LA	40	Route 10; add HOV lanes	Capital Outlay	\$ 28,149	\$ 6,109						\$ 119,000	\$ 119,000		
7	LA	41.2	HOV Lanes on Rte 5 from Rte 170 to Rte 118	Capital Outlay	\$ 34,142		\$ 119,000					\$ 70,710	\$ 70,710		
7	LA	42.1	I-5 Widening - Orange County Line to Route 605	Capital Outlay	\$ 6,000	\$ 70,710						\$ 3,000	\$ 10,274		\$ 1,000
7	LA	43	Route 5; improve Carmelita Road Interchange	Capital Outlay	\$ 290	\$ 1,000	\$ 13,274					\$ 5,000	\$ 2,000		\$ 150
7	VEN	47	Route 101; California Street off-ramp in Ventura County.	Capital Outlay	\$ 726							\$ 17,000	\$ 1,200		\$ 7,395
7	LA	49.2	Hollywood Intermodal Transportation Center Facility	Mass Transit	\$ -		\$ 5,150	\$ 2,000			\$ 25,595	\$ 11,010	\$ 11,010		
7	LA	50	Route 71 Expy to Fwy Conversion (Rte 10 to Rte 60)	Capital Outlay	\$ 4,405						\$ 15,352	\$ 15,352	\$ 15,352		
7	LA	51	Route 101/405; add auxiliary lane and widen ramp	Capital Outlay	\$ 8,200										
7	LA	52	Route 405; add HOV & auxiliary lanes	Capital Outlay	\$ -										
7	LA	54.3	Alameda Corridor East; Pico Rivera	Local Assistance	\$ 16,200	\$ 3,500						\$ 3,500	\$ 3,500		
8	SBD	55.1	Alameda Corridor East; Colton - Ramona	Local Assistance	\$ 8,988	\$ 3,048						\$ 3,048	\$ 3,048		
8	SBD	55.2	Alameda Corridor East; Ontario	Local Assistance	\$ 5,000	\$ 100	\$ 43,454					\$ 100	\$ 43,454		
8	SBD	55.3	Alameda Corridor East; SANBAG	Local Assistance	\$ 8,610	\$ 3,800						\$ 3,800	\$ 3,800		
8	SBD	59	Route 10; Live Oak Canyon Interchange	Capital Outlay	\$ 3,448	\$ 7,552						\$ 1,800	\$ 24,300	\$ 678	\$ 2,000
8	RIV	61	Route 10; reconstruct Apache Trail Interchange	Capital Outlay	\$ 1,222		\$ 28,778		\$ 16,300			\$ 16,300	\$ 16,300		\$ 5,000
8	RIV	62	Route 91 HOV Lanes	Capital Outlay	\$ 3,700										
8	RIV	64.2	Route 91 Auxiliary Lane	Capital Outlay	\$ -		\$ 5,000								
11	SD	74.3	Pacific Surfliner; Maintenance Yard	Rail	\$ -	\$ 3,010						\$ 3,010	\$ 3,010		
11	SD	74.7	Encinitas Grade Separated Pedestrian Crossing(s)	Rail	\$ -	\$ 2,752						\$ 2,752	\$ 2,752		
11	SD	74.9	Santa Margarita River Bridge and Double Track	Rail	\$ -	\$ 23,007				\$ 10,000		\$ 4,000	\$ 23,007	\$ 6,000	\$ 6,000
11	SD	77	Route 94; add capacity	Capital Outlay	\$ 4,000		\$ 6,000					\$ 6,000	\$ 6,000		\$ 8,700
11	SD	80	Mid-Coast Balboa LRT Extension	Mass Transit	\$ 1,300	\$ 6,000	\$ 8,700					\$ 27,803	\$ 25,629	\$ 536	\$ 3,700
11	SD	82.2	Ries 5/805; reconstr. & widen Fwy IC	Capital Outlay	\$ -	\$ 6,000						\$ 2,400	\$ 2,400		\$ 7,000
11	SD	87.2	Routes 94/125; build freeway connector ramps	Capital Outlay	\$ 1,551	\$ 536	\$ 31,503	\$ 7,000	\$ 25,629			\$ 1,400	\$ 7,439	\$ 770	\$ 2,000
11	SD	88.1	Route 5; realign freeway	Capital Outlay	\$ 300			\$ 2,000	\$ 2,400			\$ 1,400	\$ 7,439	\$ 770	\$ 2,000
6	FRE	89	Route 99; improve Shaw Avenue Interchange	Capital Outlay	\$ 830		\$ 2,170	\$ 2,000				\$ 1,400	\$ 7,439	\$ 770	\$ 2,000
6	FRE	91	Route 180 - Clovis Ave to Temperance Ave	Capital Outlay	\$ 12,561	\$ 7,439						\$ 1,400	\$ 7,439	\$ 770	\$ 2,000

Note: Total for Existing Allocations excludes allocations to projects not included in this list.

Traffic Congestion Relief Program
Future Allocation Needs by Fiscal Year and Component
(\$ x 1,000)

Reference No.:4.5
Jan 31-Feb 1, 2007
Attachment
Page 2

District	County	TCRP #	Title	Type	Existing Allocations	Project Totals by Fiscal Year										TCRP Totals by Component			
						2006-07	2007-08	2008-09	2009-10	2010-11	Beyond	RW	CON	PA&ED	PS&E				
6	FRE	92	San Joaquin Corridor, improve track & signals	Rail	\$ -		\$ 10,000						\$ 10,000						
6	FRE	94	Route 43; widen expressway	Capital Outlay	\$ 525					\$ 4,475				\$ 4,475					
6	FRE	97.1	Operational Improvements on Shaw Ave	Local Assistance	\$ 1,305		\$ 295						\$ 295						
6	FRE	97.2	Operational Improvements on Streets near CSU, Fresno	Local Assistance	\$ 5,188	\$ 398							\$ 398						
6	FRE	98	Peach Avenue; widen to four-lane	Local Assistance	\$ 650	\$ 2,300	\$ 7,050					\$ 2,300	\$ 7,050						
10	SJ	99.2	Capacity Improvements	Rail	\$ -			\$ 12,000						\$ 12,000					
5	SB	102.3	Route 101 access; Advanced Traffic Corridor System	Local Assistance	\$ 110	\$ 922													
6	KER	103	Route 99, improve interchange	Capital Outlay	\$ 1,900	\$ 6,100													
10	MER	104	Route 99; Arbolada Road Freeway	Capital Outlay	\$ 4,413	\$ 587						\$ 587							
10	MER	105	Freeway Upgrade & Plainsburg Road I/C	Capital Outlay	\$ 2,800	\$ 2,200						\$ 2,200							
10	MER	106	Campus Parkway	Local Assistance	\$ 590	\$ 22,410						\$ 1,143	\$ 8,390						
10	STA	109	Route 132 Expressway	Capital Outlay	\$ 638						\$ 1,547					\$ 1,143			
10	STA	110	SR-132 West Widening	Capital Outlay	\$ 453											\$ 1,547			
6	KIN	111	Route 198 Expressway, Rte 43 to Rte 99	Capital Outlay	\$ 853			\$ 13,147					\$ 13,147						
6	KER	113	Route 46 expressway	Capital Outlay	\$ 5,220								\$ 24,780						
6	KER	114	Route 65; passing lanes & intersection improvement	Capital Outlay	\$ 376	\$ 4			\$ 2,121			\$ 2,121							
3	SAC	115	South Sacramento Light Rail Project-Phase 2 Ext	Mass Transit	\$ 7,000		\$ 63,000						\$ 63,000						
3	SAC	116	Route 80 Light Rail Corridor	Mass Transit	\$ 3,970	\$ 21,030							\$ 21,030						
3	SAC	126	Route 50/Watt Avenue interchange	Capital Outlay	\$ 720	\$ 1,080	\$ 5,200						\$ 5,200						
2	SHA	128	Airport Road, reconstruction and improvement	Local Assistance	\$ 422	\$ 2,578							\$ 2,578						
8	SBD	129	Route 62; utility undergrounding	Capital Outlay	\$ 390	\$ 115	\$ 2,695					\$ 115	\$ 2,695						
8	RIV	146	Construction of Palm Avenue Interchange.	Capital Outlay	\$ -	\$ 2,050	\$ 7,950					\$ 2,050	\$ 7,950						
11	IMP	148.1	Widen State Route 98	Capital Outlay	\$ 2,500				\$ 6,400			\$ 6,400							
4	NAP	157	Jamieson Canyon	Capital Outlay	\$ 4,100		\$ 2,900						\$ 2,900						
7	LA	158.2	Intersection of Olympic Blvd/Maleo Street/Porter Street	Local Assistance	\$ 580	\$ 595							\$ 595						
TOTALS					\$ 369,146	\$ 516,201	\$ 678,264	\$ 277,383	\$ 177,890	\$ 14,475	\$ 63,003	\$ 480,035	\$ 794,016	\$ 35,463	\$ 417,702				

Note: Total for Existing Allocations excludes allocations to projects not included in this list.